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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

EVER though our activity indexes have turned upward these past few months, they flash no signal for extraordinary events to begin. Real estate activity and general business activity were relatively satisfactory for the month of July and the results are being felt in several cities across the nation. Many of our barometers sprang back to better levels considering the year as a whole. General business activity for July is slightly above June, and 2.6% above the April low. Dow-Jones averages have risen to August 1957 levels.

The excitement in the Middle East has induced the investing public to rush to buy raw commodities and stocks thinking they have learned the lessons of past history. Investors have been unloading fixed-income securities and are not rushing to purchase new offerings of any type unless they carry a generous interest payment. The flight from the dollar could increase the velocity of United States currency, sending the stock market through the roof. While we think this possible, we do not think it probable.

Our real estate activity averages have moved up to their best level since February of this year, but this intermediate rally is not believed to be the upswing in a new upward cycle. We regard this "boomlet" as the first rally in the readjustment period.

At the close of July our real estate activity index recorded a 4.2% gain over the June 30 average, but still shows a decrease of 3% since the beginning of the year. The percentage changes during the past month for the various entries on our real estate activity chart are as follows: real estate mortgages -- up 3.1%; six-room frame house -- up \$5; residential rents -- up 0.2%; and number of new dwelling units -- up 0.29%. The chart on page 384 shows that the number of nonfarm real estate foreclosures has increased 1,517, or 19% in the first quarter of 1958 as compared with the same period in 1957.

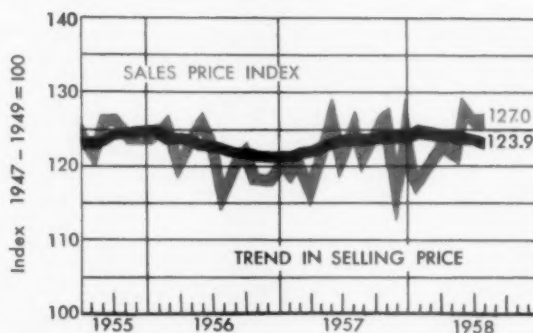
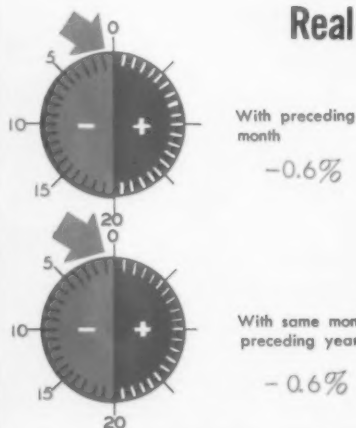
Our sales price index, based on the selling prices of existing family residences, shows no change for July. As long as the general economy is inflated, building costs will have a tendency to rise, offsetting depreciation in the prices of buildings already built.

At current interest rates a reduced volume of mortgage money is expected in the future as a result of the Federal Reserve Board's action in authorizing an increase in the discount rate. The discount rate is the interest rate which the Federal Reserve Banks charge member commercial banks when they borrow from the Federal Reserve System. The FRB of San Francisco took the initiative in increasing its rate and was followed a week later by the Federal Reserve Bank of Dallas. The Reserve Bank in Atlanta was the third of the system of 12 banks to make this move.

A short time ago the FRB increased the margin requirement on the purchase of common stocks from 50% to 70%. These about-face actions point out that the FRB is a victim of mixed emotions and now finally feels that the inflation is a greater threat to the American economy than the recession.

The rise in interest cost could hurt the home building industry in the near future and will discourage borrowing for new construction, modernization, and home building. However, the increase in interest rates is not expected to curtail building operations this year. Fannie Mae, and its easy money policy in the past, has provided a strong working base for the building industry. Mort-

Real Estate Sales Price Comparisons



Date	Trend in selling price	Probable selling price of a house that sold for \$12,000 in 1947-49 period	Date	Trend in selling price	Probable selling price of a house that sold for \$12,000 in 1947-49 period
1947-49	100.0	\$12,000	Oct. '54	122.3	\$14,680
1913	40.1	4,812	Oct. '55	125.1	15,010
1918	34.1	4,092	Oct. '56	121.9	14,630
Mar. '29	73.9	8,868	Oct. '57	124.9	14,990
May '32	34.8	4,176	Jan. '58	125.3	15,040
Apr. '34	44.6	5,376	Feb. '58	125.1	15,010
July '37	40.1	4,812	Mar. '58	125.0	15,000
Apr. '38	42.6	5,136	Apr. '58	124.7	14,965
Mar. '41	40.1	4,812	May '58	124.6	14,950
Oct. '48	104.5	12,540	June '58	124.6	14,950
Oct. '53	119.7	14,360	July '58	123.9*	14,870*

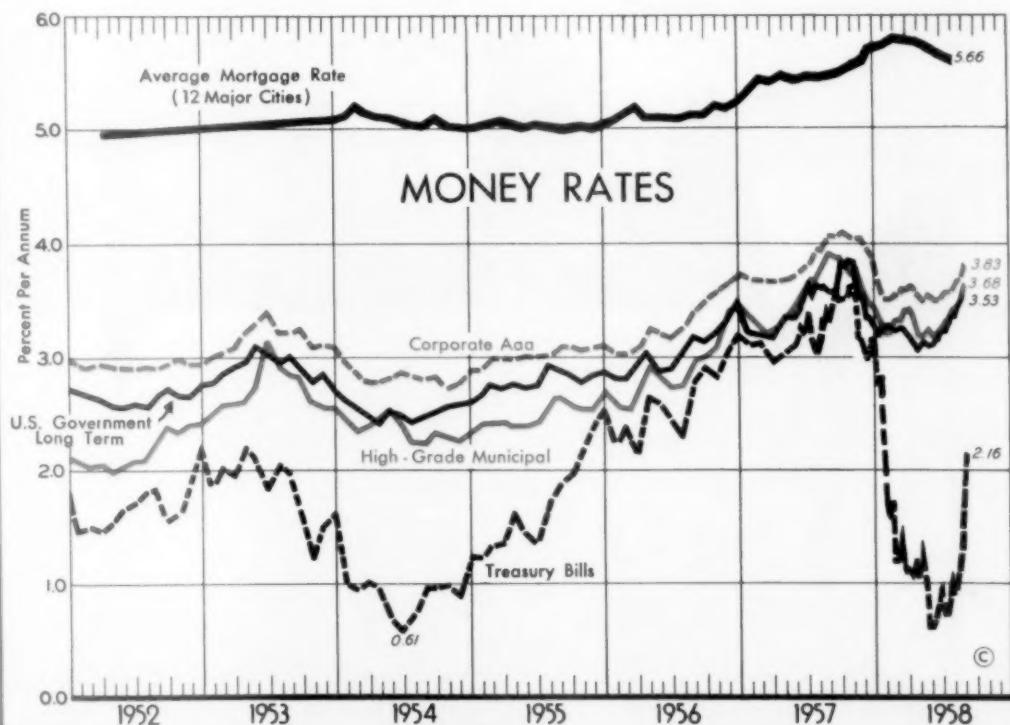
*Preliminary.

gage rates are traditionally "sticky" and are expected to be the last to be affected. The effects of the credit changes could be felt by the first half of next year.

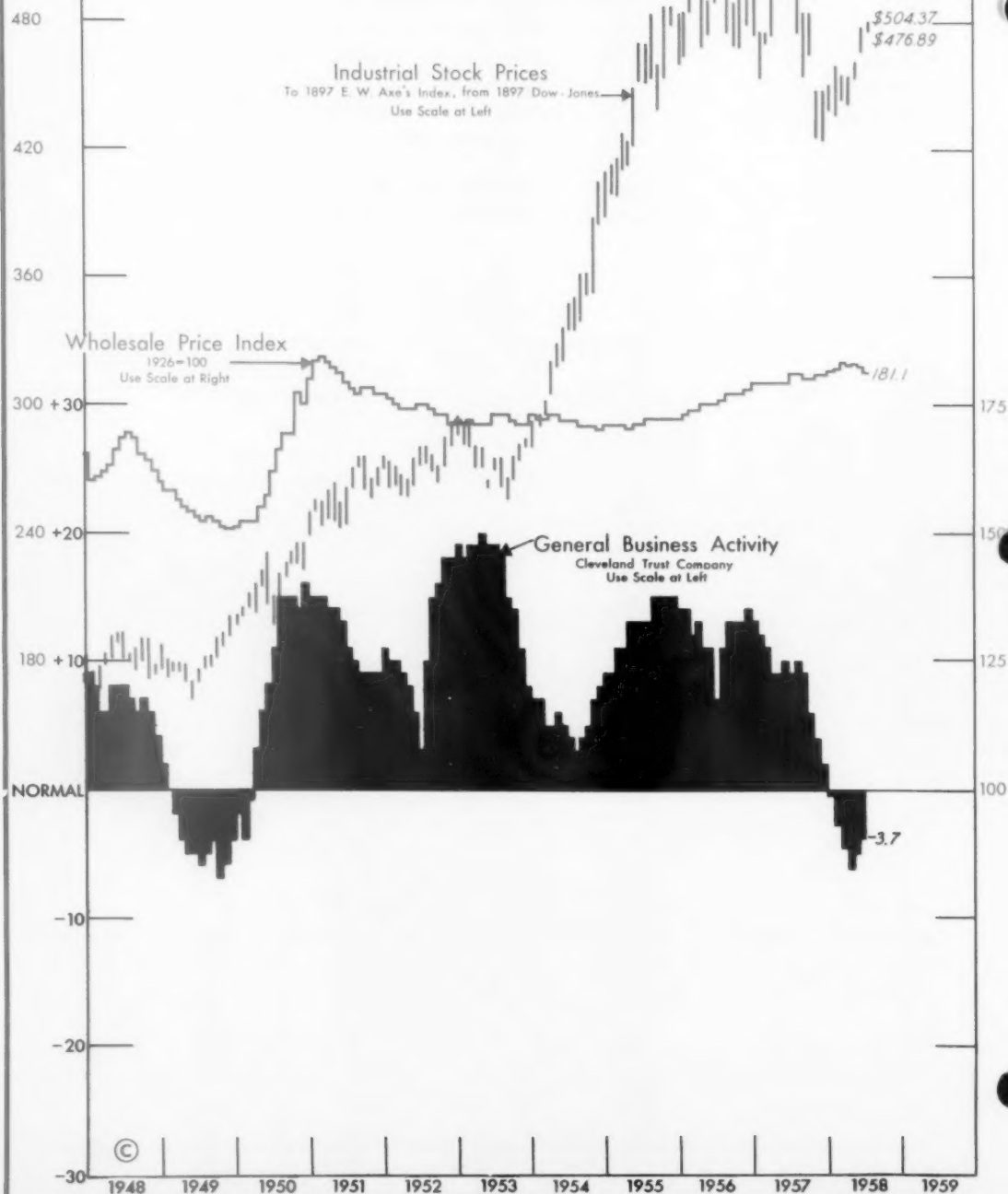
There has been a recent increase in commercial paper sold on the open market of $\frac{3}{8}$ of a point. Commercial paper rates now range from $2\frac{5}{8}\%$ on "prime" paper of leading industrial firms to $3\frac{1}{2}\%$ on notes of less well-known names and smaller finance companies. The commercial paper rate increase followed a $\frac{1}{4}$ -point increase in the rate of bankers' acceptances. These three
(cont. on page 383)

AVERAGE INTEREST RATE OF RECORDED MORTGAGES IN 12 MAJOR CITIES OF THE UNITED STATES

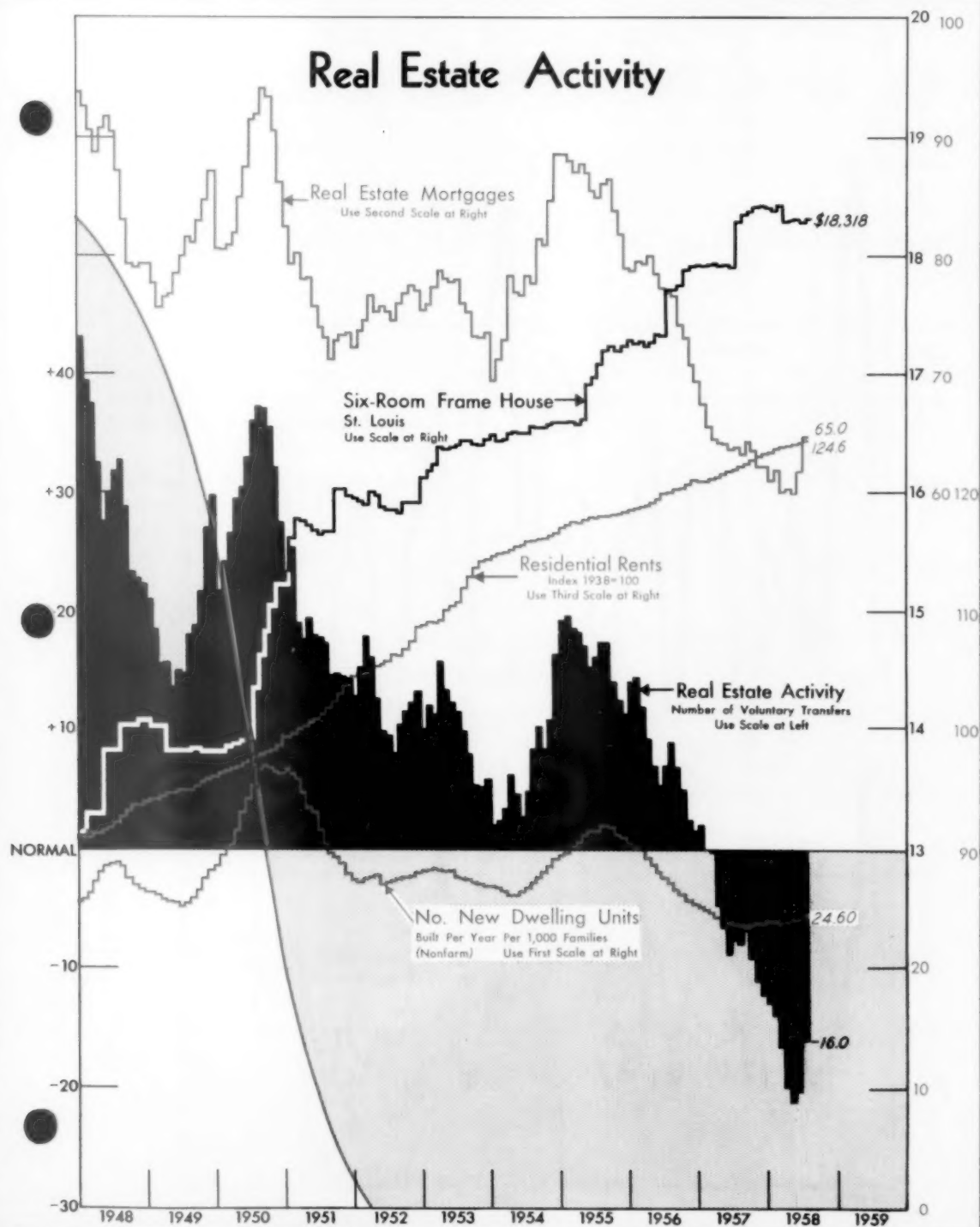
Jan. '54	5.187%	Jan. '56	5.105%	Jan. '58	5.775%
Apr. '54	5.173	Apr. '56	5.157	Feb. '58	5.840
July '54	5.089	July '56	5.141	Mar. '58	5.821
Oct. '54	5.092	Oct. '56	5.229	Apr. '58	5.813
				May '58	5.787
Jan. '55	5.045	Jan. '57	5.363	June '58	5.717
Apr. '55	5.079	Apr. '57	5.507	July '58	5.664
July '55	5.050	July '57	5.501		
Oct. '55	5.055	Oct. '57	5.602		

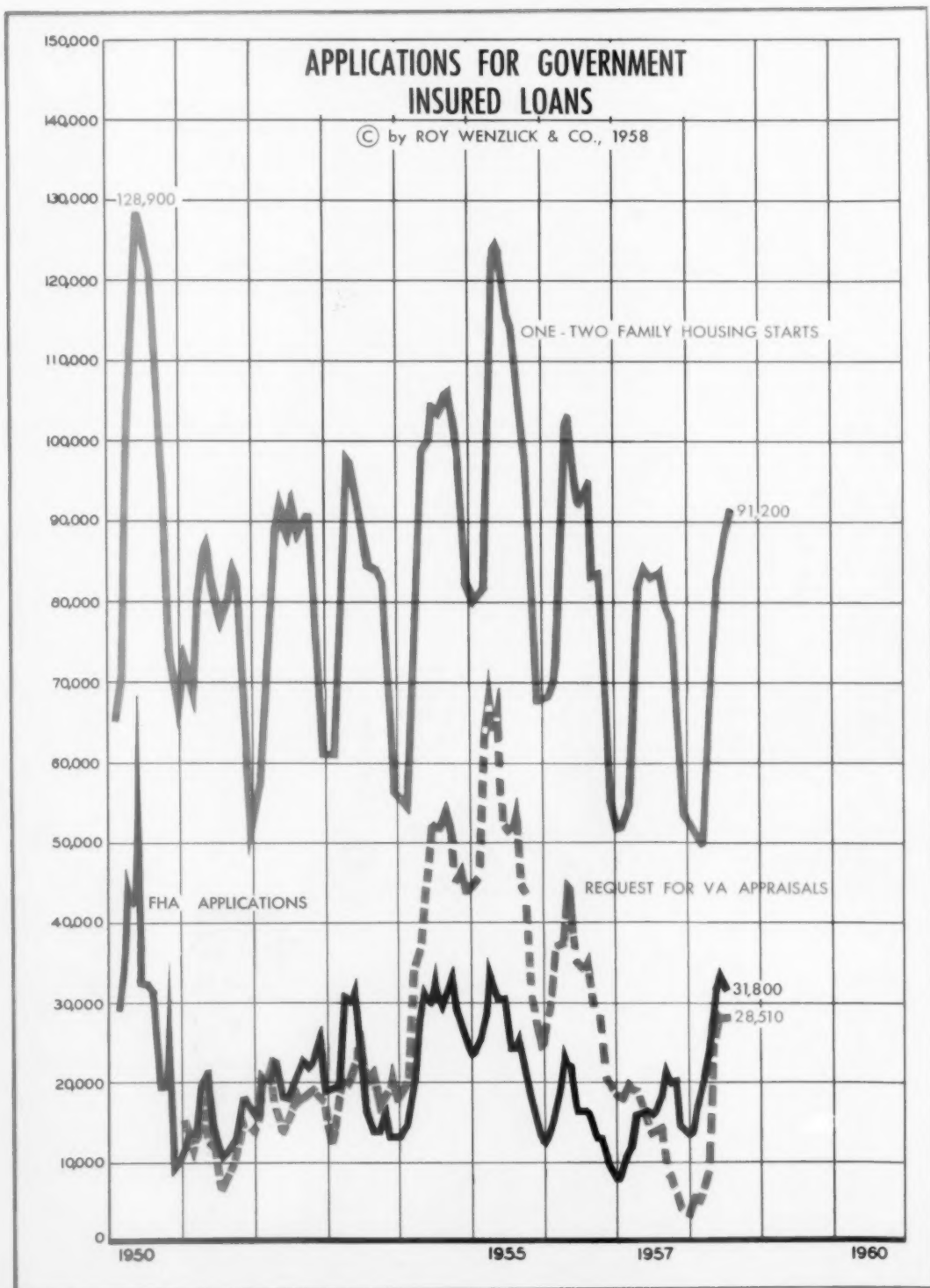


Business Activity



Real Estate Activity





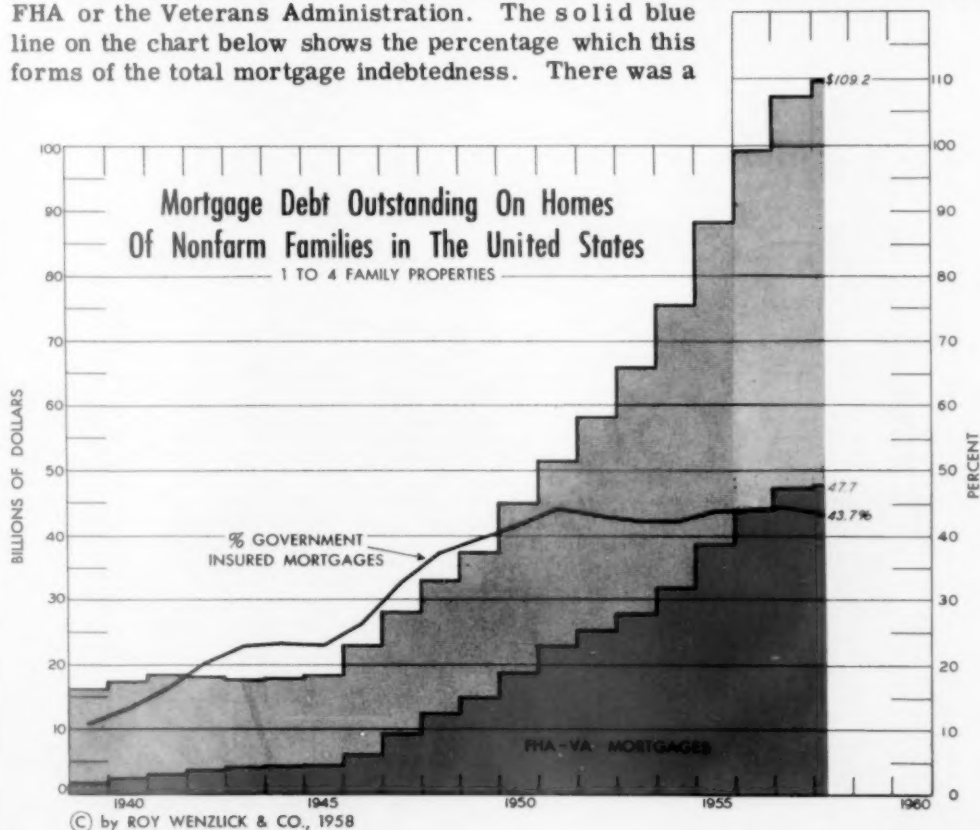
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actions -- increased discount rate, increased commercial paper rate, increased bankers' acceptance rate -- reflect the increased yields of Treasury bills. Treasury bills were recently sold at a price equivalent to an average yield of 2.162%. A few months ago a similar issue yielded a rate of 0.63%.

FHA new home mortgage applications dropped 5% in July to 31,800 units, and the VA appraisal request for proposed units totaled 28,510 in July, compared with 28,391 in June.

Our chart on mortgage debt outstanding on homes of nonfarm families in the United States shows an increase of \$8.2 billion during the past year. In our August 30, 1957, issue of Trends we said: "Even with the present difficulty in financing, when 1957 is over it will be found that mortgage debt has increased again by a sizable amount."

Nearly \$48 billion of mortgage debt has been underwritten either by the FHA or the Veterans Administration. The solid blue line on the chart below shows the percentage which this forms of the total mortgage indebtedness. There was a



decrease last year of 0.9%, but it has increased approximately 34% since 1939.

A comparison of the figures presented in this bulletin with those of a year ago shows that the nation has some distance to go to get back to where it was when the boom was in full swing. We are not out of the woods yet. It would require great faith to believe that the longest real estate boom in history could be followed by a readjustment period as short as the one we are now experiencing.

